

# Change in Ownership

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## General

In 1978, California voters adopted Proposition 13, adding [article XIII A](#) to the California Constitution. This changed the way county assessors' offices processed and valued real property assessments for property tax purposes. Prior to [article XIII A](#), real property was reappraised on a cyclical basis, not to exceed five years, pursuant to [sections 405.5](#) and [405.6](#). However, under the provisions of [article XIII A](#), real property is no longer reappraised on a cyclical basis. Instead, real property is enrolled at its full cash value as shown on the 1975-76 tax bill, factored annually for inflation not to exceed 2 percent, or, thereafter, at its appraised value when purchased, newly constructed, or a change in ownership occurs after the 1975 assessment.

[Section 60](#) defines a "change in ownership" as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. For those transfers that are not specifically addressed by statutes, regulations, or court decisions, [section 60](#) provides the fundamental criteria for determining whether a change in ownership has occurred.

[Sections 61](#) through [69.5](#) and [Rules 462.001](#) through [462.500](#) further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes.

For purposes of valuation of real property due to a change in ownership, [section 110\(a\)](#) defines "full cash value" or "fair market value" as the amount of cash or its equivalent that property would bring if exposed for sale on the open market. [Section 110\(b\)](#) provides that when determining the full cash value to be appraised upon a purchase, the full cash value is the purchase price paid unless it is established by a preponderance of the evidence that the real property would not have transferred for that purchase price on the open market.

[Section 110.1\(a\)](#) defines "full cash value" of real property as the fair market value as determined pursuant to [section 110](#) for either (1) the 1975 lien date, or (2) for property which is purchased or changes ownership after the 1975 lien date, the date on which the purchase or change in ownership occurred. [Section 110.1\(b\)](#) provides that the value determined under [section 110.1\(a\)](#) shall be known as the base year value for the real property.

For purposes of base year values as determined by [section 110.1](#), [section 50](#) provides that values determined for property which is purchased or changes ownership after the 1975 lien date shall be entered on the roll for the lien date next succeeding the date of the purchase or change in ownership.

For detailed information regarding changes in ownership, refer to [Assessors' Handbook Section 401, Change in Ownership \(AH 401\)](#). For further information regarding valuation due to a change in ownership, refer to [Assessors' Handbook Section 501, Basic Appraisal \(AH 501\)](#), and [Assessors' Handbook Section 502, Advanced Appraisal \(AH 502\)](#).

## Scope of Review

The BOE's assessment practices survey includes a review of the assessor's practices and procedures for the discovery and valuation of properties experiencing a change in ownership.

The specific areas of review may include, but are not limited to, the following:

### General Program Elements

- Does the assessor have written procedures for processing and valuing properties having experienced a change in ownership?
- Which Board-prescribed forms involving changes in ownership does the assessor utilize?
- What county-developed forms and/or form letters, if any, does the assessor use that involve changes in ownership?
- What training, if any, does the assessor's change in ownership staff receive?
- How many recorded documents are received from the recorder's office each year?
- How many reappraisable transfers are processed each year?
- Besides recorded documents, how does the assessor discover changes in ownership?
  - LEOP reports?
  - Newspaper articles?
  - Business property statements?
  - Homeowners' exemptions?
  - Address change requests?
  - Field checks?
  - List of deaths having occurred in the county from the county health department or recorder's office?
  - Information from the public?

### Document Processing

- How does the assessor receive recorded documents from the recorder's office?
  - Electronically?
  - Hard-copy?
- Does the recorder provide all recorded documents to the assessor or does the recorder pre-screen the recorded documents and only provide certain recorded documents based on criteria provided by the assessor?
- If the assessor receives all recorded documents from the recorder, who is responsible for deciding which recorded documents to copy and which recorded documents to cull or discard? Does the assessor have a list of recorded documents that should be copied or scanned?
- How does the assessor receive the [BOE-502-A, Preliminary Change of Ownership Report \(PCOR\)](#), from the recorder's office?
  - Does the recorder hand deliver the original PCORs to the assessor on a daily, weekly, monthly, or other basis? or

- Does the assessor pick up the original PCORs from the recorder's office on a daily, weekly, monthly, or other basis? or
  - Does the recorder scan the PCORs into a shared database and send the PCORs electronically to the assessor? or
  - Other?
- Does the recorder apply a \$20 charge to the recording fee if the transfer document is received without a PCOR?
- Are PCORs made available to the public?
  - Assessor's Office?
  - Recorder's Office?
  - County's website?
- Do all locations where PCORs are made available to the public issue the most current version of the PCOR?
- Does the county have a local ordinance requiring that the assessor's parcel number (APN) be included on all recorded documents involving real property?
- How does the assessor's change in ownership staff determine what property is being transferred?
  - Does the assessor's change in ownership staff run out the legal description as shown on the recorded documents? Or
  - Does the assessor's drafting department or some other staff member run out the legal description as shown on the recorded document? Or
  - Does the assessor's change in ownership staff determine based on the APN shown on the recorded document? Or
  - Other method?
- Does staff verify that the property being transferred is owned by the grantor as shown on the recorded document?
- Does the assessor utilize some form of an ownership history for each property to track all prior transfers associated with that property in order to determine the correct percentage of interest being transferred?
- Does staff send letters to property owners?
  - Requesting more information?
  - Incorrect legal description?
  - Incorrect name of the grantor?
  - Incorrect percentage of interest being transferred?
  - Possible exclusion from reassessment?
  - Other?
- Who updates the computer system with the current information based on the recent transfer?

- Who determines whether a transfer results in a reappraisable event?
- Are the processed transfers given a second review for accuracy of the determinations made regarding changes in ownership? If so, who performs these reviews?
- The following are some of the types of transfers reviewed during the survey:
  - Sale or purchase
  - Partial interest
  - Gift
  - Joint tenancy
  - Tenants in common
  - Interspousal
  - Trust
  - Life Estate
  - Estates for years
  - Lease agreement
  - Contract of sale
  - Foreclosure
  - Trustees sale
  - Affidavit of death
  - Affidavit of death of trustee

## Penalties

- Does the assessor utilize [BOE-502-AH, Change in Ownership Statements \(COS\)](#), to obtain information from the property owner when a PCOR is not submitted at the time of recording?
- If the assessor does **not** utilize COSs,
  - What is the assessor's procedure for obtaining information from the property owner in regards to the transfer or sale having taken place?
  - Does the assessor send multiple PCORs instead?
  - If so, how many PCORs are sent and how much time is given to the property owner to respond to each request?
  - If the property owner does not return the PCOR, or does not return the PCOR within the requested time frame, does the assessor apply a penalty for failure to file?
- If the assessor does utilize COSs,
  - What is the assessor's procedure for sending the property owner a COS?
  - Does the assessor send multiple COSs? If so, how many COSs are sent?
  - How much time does the assessor allow the property owner to respond to each request?
  - Does the assessor have a tracking system in place to monitor the COSs being sent? If so, who is responsible for monitoring the COSs through this tracking system?

- If the property owner does not return the COS, or does not return the COS timely, does the assessor apply a penalty for failure to file?
- Does the assessor properly notify the property owner of the penalty being applied and the penalty abatement process?
- Does the county have an ordinance in place allowing the assessor to automatically abate the penalty if the property owner provides the assessor with a COS within 60 days from the date of the notice of penalty in accordance with [section 483\(b\)](#)?

### **Transfer List**

- Is the assessor required to maintain a two-year transfer list in accordance with [section 408.1](#)?
- What was the county's population as determined by the 1970 federal decennial census?
- Does the assessor maintain a two-year transfer list regardless of whether they are required to do so? If so,
  - Is the transfer list divided into geographical areas?
  - How often is the transfer list updated?
  - Does the transfer list contain all of the required data in accordance with [section 408.1\(c\)](#)?
    - Transferor and transferee?
    - APN?
    - Address of the property?
    - Date of transfer?
    - Date of recording?
    - Recording reference number?
    - Consideration paid, if known?
  - How does the assessor determine the consideration paid without using any confidential information, such as the reported sale price, supplied on the PCOR or COS?
  - How does the assessor make the transfer list available for viewing by the public?
  - Does the assessor charge a fee to view the transfer list? If so, what is the fee?

### **Legal Entity Ownership Program (LEOP)**

- Does the assessor have written procedures for processing the monthly LEOP reports and accompanying [BOE-100-Bs, Statement of Change in Control and Ownership of Legal Entities](#), when received from the BOE?
- Who is responsible for reviewing the LEOP reports and accompanying [BOE-100-Bs](#)?
- How does the assessor ensure that all property in the county owned by the legal entity undergoing a change in control or ownership is reassessed?
- Does the assessor have any other means besides the LEOP reports to discover legal entities undergoing a change in control or ownership?

- Does the assessor notify the BOE's LEOP Division when a change in control or ownership of a legal entity is discovered by the assessor?
- Does the assessor apply a penalty when a legal entity fails to timely file a [BOE-100-B](#) as notified by the BOE's LEOP Division?
- Does the assessor properly notify the legal entity of the penalty being applied?
- Once it has been determined that a change in control or ownership has taken place and the property is subject to reassessment, who performs the valuation?
- Is the valuation and reassessment of the property as of the date of the change in control or ownership of the legal entity?
- Are supplemental assessments and roll corrections properly prepared for all applicable years the property escaped assessment?
- Does the assessor review the BOE's LEOP *Non-Response List* report?
- Does the assessor apply penalties and issue notices of penalties to the legal entities appearing on the *Non-Response List* that own property in their county?

#### **Change in Ownership Exclusion - Section 63.1**

- How many [section 63.1](#) claims were filed with the assessor in recent years?
- How many [section 63.1](#) claims were granted by the assessor in recent years?
- Does the assessor have written procedures in place to process [section 63.1](#) claims?
- Is the assessor proactive in sending [section 63.1](#) claim forms to property owners when it appears that a transfer may involve an exclusion from reassessment as indicated on either the recorded document or the PCOR?
- Are [section 63.1](#) claim forms made available to the public at the assessor's office and/or on the assessor's website?
- Does the county have an ordinance in place allowing the assessor to charge a processing fee if the [section 63.1](#) claim form is received more than 60 days after the date of the second notice of the exclusion from the assessor? If so,
  - Does the assessor send the first notice allowing the property owner 45 days to file the [section 63.1](#) claim form before sending a second notice?
  - Does the second notice indicate that a processing fee will be charged if the claim form is not filed within 60 days from the date of the second notice?
  - Is the processing fee refunded to the claimant if the [section 63.1](#) claim form is denied?
- Who determines whether a [section 63.1](#) claim form is granted or denied?
- Is the claimant notified when the claim is either granted or denied?
- Does the assessor automatically grant all qualified [section 63.1](#) claims or does the assessor determine whether the exclusion would be to the benefit of the claimant and notify the claimant accordingly, giving the claimant the opportunity to withdraw their claim if the exclusion is not to their benefit?
- Does the assessor submit optional quarterly reports to the BOE of the number of [section 63.1](#) claims granted that involved property other than the transferor's principal residence? If not,

- How does the assessor track the [section 63.1](#) claims granted?
- How does the assessor verify whether any previous transfers in the county or any other counties in California have been applied towards the \$1 million limit?
- How does the assessor determine whether the transferor has exceeded the \$1 million dollar limit?
- If the assessor does submit quarterly reports to the BOE, does the assessor check the *Report of Transferors Exceeding \$1,000,000* from the BOE?
- Does the assessor contact the property owner and/or other counties when necessary to determine which property to reassess once the transferor is over the \$1 million limit?
- Were the calculations properly determined and distributed between those portions excluded from reassessment and those portions that are reappraisable?
- When a claim that is over the \$1 million limit has been resolved, does the assessor notify the BOE?
- Does the assessor protect confidential information provided on the [section 63.1](#) claim form by keeping all claim forms in a secure area not accessible to the public?

#### **Change in Ownership Exclusion - Section 69.5**

- How many [section 69.5](#) claim forms have been filed in with the assessor in recent years?
- How many [section 69.5](#) claim forms have been granted by the assessor in recent years?
- Does the assessor have written procedures in place to process [section 69.5](#) claims?
- Does the assessor send [section 69.5](#) claim forms to property owners when it appears that a transfer may involve an exclusion from reassessment as indicated on either the recorded document or the PCOR?
- Are [section 69.5](#) claim forms made available to the public at the assessor's office and/or on the assessor's website?
- Does the county have an ordinance allowing for base year value transfers from other counties?
- Who determines the value of the original and replacement properties in order to determine whether the claim meets the requirements for the exclusion?
- Who determines if a [section 69.5](#) claim form will be granted or denied?
- Is the claimant notified when the claim is either granted or denied?
- Does the assessor submit required quarterly reports to the BOE of the number of [section 69.5](#) claims granted?
- If the assessor does submit quarterly reports to the BOE, does the assessor check the *Duplicate SSN Report* when received from the BOE?
- If the assessor does not submit quarterly reports to the BOE, how does the assessor ensure that a claimant hasn't previously claimed the [section 69.5](#) exclusion? Does the assessor have a tracking system in place for this purpose?
- Does the assessor protect confidential information provided on the [section 69.5](#) claim form by keeping all claim forms in a secure area not accessible to the public?

## Valuation

- Who determines whether a transfer results in a reappraisable event?
- Do appraisers make any change in ownership determinations?
- Do appraisers check for exclusions?
- Does the assessor maintain a sales data file that is for in-house use only and not available to the public? If yes, how often is the sales data updated?
- Do appraisers keep their own sales data file that is separate from the assessor's in-house sales data file? If so, what information is different than what appears on the in-house sales data file?
- Which of the three approaches to value (comparative sales, income, and/or cost) does the appraiser use to value:
  - Residential properties?
  - Commercial properties?
  - Industrial properties?
  - Agricultural properties?
- Does the appraiser provide supporting sales data for every reappraisable transfer regardless of whether there is an accompanying PCOR or COS with a reported purchase price?
- Does the appraiser ever override the reported purchase price? If so, in what circumstances?
- Does the appraiser check for cash equivalency or creative financing on the PCOR or COS and make adjustments accordingly?
- Does the appraiser request income and expense data from the property owner for commercial or industrial property transfers?
- When the property owner fails to submit a PCOR or return a COS, how does the appraiser determine the property value on these transfers?
- Does the appraiser properly determine the correct base year and enroll the correct base year value for the transfer?
- Does the appraiser properly apply the annual inflation factor for the lien date when appropriate?
- How does the appraiser value partial interest transfers?
- Does the appraiser properly track base year values when there are multiple base year values involved?
- Does the appraiser document all value conclusions in the appraisal file?
- Does the appraiser perform field checks on all reappraisable events due to a change in ownership?
  - If not all, which ones are field checked?
  - If none are field checked, why not?
- Does the assessor have procedures in place to identify, track, and value properties involved in foreclosure proceedings?
- Does the county have any improvement bonds? If so,
  - How many parcels are affected by improvement bonds?
  - What is the outstanding balance of the bonds?



- How is the assessor notified of the outstanding bond amounts?
  - Does the assessor add the bond indebtedness to the reported purchase price in the valuation process?
- Does the assessor have a direct enrollment program in place for valuing property involved in a reappraisable transfer? If so,
  - What is the process for the assessor's direct enrollment program?
  - What types of transfers and/or properties are included in the direct enrollment program?
  - What other criteria is required in order for a property involved in a reappraisable transfer to be included in the direct enrollment program?
  - Is the direct enrollment program completely automated?